

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Elkland Township</u>	County <u>Tuscola</u>
Audit Date <u>3/31/05</u>	Opinion Date <u>5/24/05</u>	Date Accountant Report Submitted to State: <u>6-27-05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 32.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <u>ANDERSON, TUCKEY, BERNHARDT + COMPANY PC</u>			
Street Address <u>715 E FRANK STREET</u>		City <u>CARO</u>	State <u>MI</u>
Accountant Signature <u>Gary R Anderson CPA</u>		ZIP <u>48723</u>	

**TOWNSHIP OF ELKLAND,
TUSCOLA COUNTY
Cass City, Michigan**

**Report of Financial Statements
March 31, 2005**

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May 24, 2005

REPORT OF INDEPENDENT AUDITOR'S

Township of Elkland
Tuscola County
Cass City, MI 48726

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Elkland as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Elkland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Elkland's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Elkland as of March 31, 2005, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Elkland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combined Balance Sheet - All Fund Types and Account Group March 31, 2005

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPES</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>PERPETUAL CARE FUND</u>
<u>ASSETS</u>			
Cash	\$ 357,721	-	\$ 41,118
Certificates of deposit	250,071	-	30,400
Receivables:			
Accounts			
Other			1,400
Due from other funds	18,171	\$ 1,518	
Prepaid expenses	3,197	20,430	
Property, Plant & Equipment			
Restricted Assets:			
Cash			
Taxes Receivable	-		
<u>TOTAL ASSETS</u>	<u>\$ 629,160</u>	<u>\$ 21,948</u>	<u>\$ 72,918</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts payable		\$ 20,749	
Due to other funds	\$ -		\$ 1,518
Due to other governmental agencies			
Total	-	20,749	1,518
Fund Equity:			
Investment in general fixed assets			
Fund balance	629,160	1,199	71,400
Total Fund Equity	629,160	1,199	71,400
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$ 629,160</u>	<u>\$ 21,948</u>	<u>\$ 72,918</u>

The accompanying footnotes are an integral part of the financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
		MARCH 31, 2005	MARCH 31, 2004
TAX COLLECTION FUND	GENERAL FIXED ASSETS		
		\$ 398,839	\$ 421,077
		280,471	278,086
		-	-
		1,400	1,372
		19,689	37,065
		23,627	20,747
	\$ 754,188	754,188	731,503
		-	-
\$ 1,387		1,387	15,624
256,815		256,815	233,996
<u>\$ 258,202</u>	<u>\$ 754,188</u>	<u>\$ 1,736,416</u>	<u>\$ 1,739,470</u>
		\$ 20,749	\$ 26,073
\$ 18,171		19,689	37,065
240,031		240,031	235,457
258,202		280,469	298,595
	\$ 754,188	754,188	731,503
		701,759	709,372
	754,188	1,455,947	1,440,875
<u>\$ 258,202</u>	<u>\$ 754,188</u>	<u>\$ 1,736,416</u>	<u>\$ 1,739,470</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - All Governmental
Fund Types for the Year Ended March 31, 2005

			TOTALS (MEMORANDUM ONLY)	
			MARCH 31,	
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>2005</u>	<u>2004</u>
REVENUES:				
Taxes	\$ 164,081		\$ 164,081	\$ 222,466
License and permits	1,630		1,630	1,765
Intergovernmental	72,656	\$ 43,100	115,756	117,678
Charges for services		26,411	26,411	33,835
Donations		-	-	-
Investment income	3,398		3,398	4,149
Other revenues	11	2,609	2,620	3,836
Fire runs		11,212	11,212	12,975
TOTAL REVENUES	<u>241,776</u>	<u>83,332</u>	<u>325,108</u>	<u>396,703</u>
EXPENDITURES:				
Legislative	3,884		3,884	3,770
General government	71,177		71,177	60,770
Public safety	15,636	89,440	105,076	86,565
Public works	52,317		52,317	41,476
Recreation and culture	1,914		1,914	4,616
Cemetery operations		71,173	71,173	61,171
Other	28,626		28,626	25,884
TOTAL EXPENDITURES	<u>173,554</u>	<u>160,613</u>	<u>334,167</u>	<u>284,252</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>68,222</u>	<u>(77,280)</u>	<u>(9,058)</u>	<u>112,451</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		63,616	63,616	22,563
Transfers out	(63,000)		(63,000)	(22,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(63,000)</u>	<u>63,616</u>	<u>616</u>	<u>563</u>
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>5,222</u>	<u>(13,665)</u>	<u>(8,443)</u>	<u>113,015</u>
FUND BALANCE - APRIL 1	<u>623,938</u>	<u>14,864</u>	<u>638,802</u>	<u>525,787</u>
FUND BALANCE - MARCH 31	<u>\$ 629,160</u>	<u>\$ 1,199</u>	<u>\$ 630,359</u>	<u>\$ 638,802</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual -
General and Special Revenue Funds
for the Year Ended March 31, 2005

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 177,000	\$ 164,081	\$ (12,919)
Licenses and permits	1,500	1,630	130
Intergovernmental	70,000	72,656	2,656
Charges for services			
Investment income	6,000	3,398	(2,602)
Donations			
Other revenues	350	11	(339)
Fire runs			
TOTAL REVENUES	254,850	241,776	(13,074)
EXPENDITURES:			
Legislative	3,770	3,884	(114)
General government	69,726	71,177	(1,451)
Public safety	16,000	15,636	364
Public works	102,904	52,317	50,587
Recreation and culture	2,000	1,914	86
Cemetery operations			
Other	30,450	28,626	1,824
TOTAL EXPENDITURES	224,850	173,554	51,296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,000	68,222	38,222
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(40,000)	(63,000)	(23,000)
TOTAL OTHER FINANCIAL SOURCES (USES)	(40,000)	(63,000)	(23,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,000)	5,222	15,222
FUND BALANCE - APRIL 1	623,938	623,938	-
FUND BALANCE - MARCH 31	\$ 613,938	\$ 629,160	\$ 15,222

The accompanying footnotes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 45,000	\$ 43,100	\$ (1,900)
38,500	26,411	(12,089)
-	-	-
1,000	2,609	1,609
11,212	11,212	-
95,712	83,332	(12,380)
80,181	89,440	(9,259)
64,831	71,173	(6,342)
145,012	160,613	(15,601)
(49,300)	(77,280)	(27,980)
41,500	63,616	22,116
41,500	63,616	22,116
(7,800)	(13,665)	(5,865)
14,864	14,864	-
\$ 7,064	\$ 1,199	\$ (5,865)

TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 177,000	\$ 164,081	\$ (12,919)
1,500	1,630	130
115,000	115,756	756
38,500	26,411	(12,089)
6,000	3,398	(2,602)
-	-	-
1,350	2,620	1,270
11,212	11,212	-
350,562	325,108	(25,454)
3,770	3,884	(114)
69,726	71,177	(1,451)
96,181	105,076	(8,895)
102,904	52,317	50,587
2,000	1,914	86
64,831	71,173	(6,342)
30,450	28,626	1,824
369,862	334,167	35,695
(19,300)	(9,058)	10,242
41,500	63,616	22,116
(40,000)	(63,000)	(23,000)
1,500	616	(884)
(17,800)	(8,443)	9,357
638,802	638,802	-
\$ 621,002	\$ 630,359	\$ 9,357

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	2005	2004
OPERATING REVENUES:		
Perpetual care fees	\$ 830	\$ 2,368
Interest income	616	563
TOTAL OPERATING REVENUES	1,446	2,931
OPERATING EXPENSES	-	-
INCOME BEFORE OPERATING TRANSFERS	1,446	2,931
OPERATING TRANSFERS IN (OUT)	(616)	(563)
NET INCOME	830	2,368
RETAINED EARNINGS/FUND BALANCE - APRIL 1	70,570	68,202
RETAINED EARNINGS/FUND BALANCE - MARCH 31	\$ 71,400	\$ 70,570

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

**Statement of Cash Flows -
Nonexpendable Trust Fund -
Perpetual Care Fund**

	YEAR ENDED MARCH 31,	
	2005	2004
Cash flows from operating activities:		
Cash received from customers	\$ 830	\$ 2,368
Interest received	588	785
Increase (decrease) accrued interest receivable	-	1
Transfer to cemetery fund		(563)
Net cash provided by operating activities	1,418	2,591
CASH AT BEGINNING OF YEAR	70,100	67,509
CASH AT END OF YEAR	<u>\$ 71,518</u>	<u>\$ 70,100</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Reconciliation of Net Income to Net Cash

Nonexpendable Trust Fund -

Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	2005	2004
Net Income	\$ 830	\$ 2,368
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in due to other funds	588	223
Net cash provided by operating activities	<u>\$ 1,418</u>	<u>\$ 2,591</u>

Disclosure of Accounting Policy:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, demand deposits in banks, and balances of certificates of deposit.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:

The Township of Elkland, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,300 residents in many areas including public works, public safety, community enrichment and development and human services.

The financial statements of the Township of Elkland have been prepared in conformity with U.S. generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Elkland contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

B. FUND ACCOUNTING:

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

PROPRIETARY FUNDS - are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise fund) or to other departments or agencies primarily within the government (internal service fund).

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

B. FUND ACCOUNTING, (Continued):

FIDUCIARY FUNDS - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

ACCOUNT GROUPS - are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

C. BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increased (i.e. revenues) and decrease (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

D. BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

E. CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance; Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. RECEIVABLES:

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

H. RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resource set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

I. FIXED ASSETS:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are value at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

J. LONG-TERM OBLIGATIONS:

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represents tentative plans for future use of financial resources.

L. INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

M. MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

N. COMPARATIVE DATA:

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complicated and difficult to understand.

O. ESTIMATES:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	BALANCE MARCH 31, 2004	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE MARCH 31, 2005
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	19,290	14,809		34,099
Equipment	<u>569,034</u>	<u>7,876</u>	<u>-</u>	<u>576,910</u>
TOTAL	<u>\$731,503</u>	<u>\$22,685</u>	<u>\$ -</u>	<u>\$754,188</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments are held separately by each of the Township's funds.

DEPOSITS:

At year-end, the carrying amount of the Township's deposits was \$680,697 and the bank balance was \$731,678, \$225,042 of which was covered by federal depository insurance.

INVESTMENTS:

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterpart's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At March 31, 2005, the Township had no Category 1,2 or 3 investments.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2005 are composed of the following:

	<u>CASH & CASH EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>RESTRICTED ASSETS</u>
GENERAL FUND:			
Deposits	\$607,792		
Other Funds:			
Deposits	<u>71,518</u>	—	<u>\$1,387</u>
TOTAL	<u>\$679,310</u>	<u>\$0</u>	<u>\$1,387</u>

NOTE 4 – GASB 34:

The Township chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

NOTE 5 - DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at March 31, 2005 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$18,171	
Special Revenue Fund	1,518	
Perpetual Care Fund		\$1,518
Trust and agency:		
Current Tax Collection Fund	<u>-</u>	<u>18,171</u>
TOTAL	<u>\$19,689</u>	<u>\$19,689</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2005

NOTE 6 - LEGAL COMPLIANCE - BUDGETS:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to December 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to February 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
8. The Fire Fund and the Cemetery Fund exceeded their budgeted expenditures by \$9,259 and \$6,342 respectively. These are violations of the PA 621 budget act.

NOTE 7 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, and agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied 1.647 mills for operations and 1.0965 mills for Library services on a taxable value of \$82,787,615.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 -SUBSEQUENT EVENT

The Township has approved the purchase of a Pierce Pumper from Halt Fire Inc. not to exceed a price of \$150,000.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
TAXES:			
Current Property Taxes	\$ 150,000	\$ 138,114	\$ (11,886)
Delinquent tax	500	1,375	875
Trailer park tax	3,000	3,108	108
Administrative fee	23,500	21,484	(2,016)
TOTAL TAXES	<u>177,000</u>	<u>164,081</u>	<u>(12,919)</u>
 LICENSES & PERMITS:			
Zoning permits	<u>1,500</u>	<u>1,630</u>	<u>130</u>
 Intergovernmental Revenues:			
State Revenue Sharing - Metro	3,085	3,085	-
State Revenue Sharing	<u>66,915</u>	<u>69,571</u>	<u>2,656</u>
Total Intergovernmental Revenue	<u>70,000</u>	<u>72,656</u>	<u>2,656</u>
 Investment Income:			
Interest income	<u>6,000</u>	<u>3,398</u>	<u>(2,602)</u>
 Other Revenue:			
Miscellaneous income	<u>350</u>	<u>11</u>	<u>(339)</u>
TOTAL OPERATING REVENUE	<u>\$ 254,850</u>	<u>\$ 241,776</u>	<u>\$ (13,074)</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Legislative:			
Township Board	\$ 3,770	\$ 3,884	\$ (114)
General Government:			
Township Supervisor	11,043	10,627	416
Assessor	12,000	11,940	60
Treasurer	20,265	19,175	1,090
Clerk	12,468	13,453	(985)
Board of Review	1,400	1,156	244
Elections	-	3,426	(3,426)
Zoning board	3,350	4,847	(1,497)
Building and grounds	3,900	3,120	780
Legal and accounting	5,300	3,433	1,867
TOTAL GENERAL GOVERNMENT	<u>69,726</u>	<u>71,177</u>	<u>(1,451)</u>
Public Safety:			
Ambulance Services	15,000	14,636	364
Drug enforcement	1,000	1,000	-
TOTAL PUBLIC SAFETY	<u>16,000</u>	<u>15,636</u>	<u>364</u>
Public Works:			
Road maintenance	47,379	8,732	38,647
Road construction	46,025	34,513	11,512
Road mowing	3,500	4,310	(810)
Drain at large	6,000	4,762	1,238
TOTAL PUBLIC WORKS	<u>102,904</u>	<u>52,317</u>	<u>50,587</u>
Recreation and Culture:			
Park	2,000	1,914	86
Other:			
Other intergovernmental	9,200	11,556	(2,356)
Insurance and bonds	1,500	212	1,288
Other general government	8,700	4,816	3,884
Fringe benefits	11,050	12,042	(992)
TOTAL OTHER EXPENSES	<u>30,450</u>	<u>28,626</u>	<u>1,824</u>
TOTAL EXPENDITURES	<u>224,850</u>	<u>173,554</u>	<u>51,296</u>
Operating transfer out:			
Fire fund	18,000	22,000	(4,000)
Cemetery fund	22,000	41,000	(19,000)
TOTAL EXPENDITURES & TRANSFERS OUT	<u>\$ 264,850</u>	<u>\$ 236,554</u>	<u>\$ 28,296</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combining Balance Sheet -

Special Revenue Funds

March 31, 2005

	<u>FIRE FUND</u>	<u>CEMETERY FUND</u>	<u>TOTALS (MEMORANDUM ONLY) MARCH 31,</u>	
			<u>2005</u>	<u>2004</u>
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	1,518	1,518	22,902
Prepaid expenses	15,930	4,500	20,430	18,035
<u>TOTAL ASSETS</u>	<u>\$ 15,930</u>	<u>\$ 6,018</u>	<u>\$ 21,948</u>	<u>\$ 40,937</u>
 <u>LIABILITIES & FUND BALANCE</u>				
Liabilities:				
Accounts payable - bank overdraft	\$ 15,446	\$ 5,303	\$ 20,749	\$ 26,073
Accounts payable		-	\$ -	
Fund Balance:				
Unreserved	\$ 484	\$ 715	1,199	14,864
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 15,930</u>	<u>\$ 6,018</u>	<u>\$ 21,948</u>	<u>\$ 40,937</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combining Schedule of Revenues, Expenditures
& Changes in Fund Balance - Special Revenue Funds
For the Year Ended March 31, 2005

	FIRE FUND	CEMETERY FUND	TOTALS (MEMORANDUM ONLY)	
			MARCH 31,	
			2005	2004
REVENUES:				
Intergovernmental revenues	\$ 43,100		\$ 43,100	\$ 43,400
Charges for services		\$ 26,411	26,411	33,835
Donations	-		-	-
Miscellaneous revenues	10	2,599	2,609	1,931
Fire runs	11,212		11,212	12,975
TOTAL REVENUES	54,322	29,010	83,332	92,141
EXPENDITURES:				
Public safety	89,440		89,440	71,229
Cemetery operations		71,173	71,173	61,171
TOTAL EXPENDITURES	89,440	71,173	160,613	132,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(35,118)	(42,162)	(77,280)	(40,259)
OTHER FINANCING SOURCES				
Operating transfers in	22,000	41,616	63,616	22,563
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	(13,118)	(547)	(13,665)	(17,696)
FUND BALANCE - APRIL 1	13,602	1,262	14,864	32,560
FUND BALANCE - MARCH 31	\$ 484	\$ 715	\$ 1,199	\$ 14,864

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Fire Fund
For the Fiscal Year Ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental:			
Local Units	\$ 45,000	\$ 43,100	\$ (1,900)
Donations	-	-	-
Miscellaneous	500	10	(490)
Fire runs	15,000	11,212	(3,788)
TOTAL REVENUES	<u>60,500</u>	<u>54,322</u>	<u>(6,178)</u>
EXPENDITURES:			
Salaries	26,881	22,682	4,199
Insurance	14,000	14,833	(833)
Telephone	1,700	1,429	271
Gas & Oil	2,500	1,895	605
Truck repairs	7,000	9,900	(2,900)
Training & Education	2,000	2,290	(290)
Supplies	3,000	2,474	526
Dues	500	495	5
Miscellaneous	500	1,673	(1,173)
Utilities	4,500	3,866	634
Repairs – Electronics	1,500	506	994
Repairs – Building	2,500	16,967	(14,467)
FICA Expense	600	582	18
Capital outlay	12,000	8,643	3,357
Legal fees	1,000	1,205	(205)
TOTAL EXPENDITURES	<u>80,181</u>	<u>89,440</u>	<u>(9,259)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,681)</u>	<u>(35,118)</u>	<u>(15,437)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	18,000	22,000	4,000
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(1,681)</u>	<u>(13,118)</u>	<u>(11,437)</u>
FUND BALANCE - APRIL 1, 2003	<u>13,602</u>	<u>13,602</u>	
FUND BALANCE - March 31, 2004	<u>\$ 11,921</u>	<u>\$ 484</u>	<u>\$ (11,437)</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Cemetery Fund
For the Fiscal Year Ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Charges for services:			
Sale of Lots	\$ 8,000	\$ 3,400	\$ (4,600)
Grave openings	17,500	16,006	(1,494)
Foundations	13,000	7,005	(5,995)
Annual care	-	-	-
Total Charges for Services	38,500	26,411	(12,089)
Miscellaneous income	500	2,599	2,099
TOTAL REVENUES	<u>39,000</u>	<u>29,010</u>	<u>(9,990)</u>
EXPENDITURES:			
Sexton's salary	17,701	18,233	(532)
Outside labor	16,000	17,943	(1,943)
Backhoe work	5,000	3,490	1,510
Taxes -- FICA	1,630	1,395	235
Materials	3,500	2,303	1,197
Repairs	5,000	5,872	(872)
Supplies	2,500	2,105	395
Telephone	900	706	194
Gas & Oil	1,000	930	70
Miscellaneous	500	576	(76)
Utilities	150	783	(633)
Insurance	3,500	4,383	(883)
Lots	500	240	260
Cemetery house repair	-	-	-
Health Insurance	3,950	4,944	(994)
Capital outlay	3,000	7,268	(4,268)
TOTAL EXPENDITURES	64,831	71,173	(6,342)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,831)</u>	<u>(42,162)</u>	<u>(16,331)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	23,500	41,616	18,116
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(2,331)</u>	<u>(547)</u>	<u>1,784</u>
FUND BALANCE - APRIL 1, 2003	<u>1,262</u>	<u>1,262</u>	
FUND BALANCE - March 31, 2004	<u>\$ (1,069)</u>	<u>\$ 715</u>	<u>\$ 1,784</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Changes in General Fixed Assets
For the Year Ended March 31, 2005

	<u>BALANCE MARCH 31, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2005</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	19,290	14,809		34,099
Equipment	<u>569,034</u>	<u>\$ 7,876</u>		<u>576,910</u>
TOTAL	<u>\$ 731,503</u>	<u>\$ 22,685</u>	<u>\$ -</u>	<u>\$ 754,188</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended March 31, 2005

	CURRENT TAX COLLECTION FUND			
	BALANCE MARCH 31, 2004	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2005
<u>ASSETS</u>				
Cash	\$ 15,624		\$ 14,237	\$ 1,387
Taxes Receivable	233,996	\$ 2,176,340	2,153,521	256,815
TOTAL ASSETS	\$ 249,620	\$ 2,176,340	\$ 2,167,758	\$ 258,202
 <u>LIABILITIES</u>				
Due to State	\$ 28,996	\$ 28,996		\$ -
Due to Tuscola County	62,104	711,373	\$ 722,983	73,714
Due to Cass City Schools	88,977	795,197	825,640	119,420
Due to Rawson Library	8,054	90,519	91,946	9,481
Due to General Fund	14,163	155,590	159,598	18,171
Due to Intermediate Schools	45,648	367,132	358,445	36,961
Due to Owengage School	1,678	18,951	17,728	455
TOTAL LIABILITIES	\$ 249,620	\$ 2,167,758	\$ 2,176,340	\$ 258,202

See the accompanying notes.